

INTERNATIONAL BUSINESS NEWS – JUNE 2005

**U.S. Department of Commerce
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SOUTH KOREA U.S. DEPARTMENT OF COMMERCE'S MARKET OF THE MONTH

South Korea is a very modern country with an excellent transportation infrastructure, modern architecture, highly advanced telecommunications and excellent hotels. Although the country appears to be very westernized, it remains very traditional. South Koreans have a great respect for family, age and hierarchy, and such elements come into play when selling into the market.

South Korea's Best Prospects for U.S. Products and Services:

- Automotive Parts and Accessories
- Broadcasting Service and Equipment
- CNC Machine Tools
- Cosmetics
- Defense Industry Equipment
- Drugs and Pharmaceuticals
- Education and Training Services
- Electrical Power Systems
- Engineering Services
- Franchising
- Medical Equipment and Devices
- Pollution Control Equipment
- Radio Frequency Identification Technology
- Security Services and Products
- Specialty Chemicals
- Wireless Broadband Equipment and Services

For more information on doing business with South Korea, go to our U.S. Commercial Service Website at <http://www.buyusa.gov/korea>

ASIAN DEVELOPMENT BANK POLICIES

Following recent consultations on the Asian Development Bank's proposed revisions to its consulting and procurement policies and guidelines, the Bank has now made available for feedback, its draft Consulting/Procurement Policies and Provisions on its website (<http://www.adb.org>). The paper may be accessed from this link: <http://adb.org/Opportunities/default.asp>. Relevant U.S. firms are encouraged to participate in this review. Comments are welcome until June 13, 2005.

PRESIDENT ANNOUNCES TOP U.S. TRADE PRIORITIES

In his May 17 remarks at the ceremonial swearing in of U.S. Trade Representative Robert Portman, President Bush stated that passing the Central American and Dominican Republic Free Trade Agreement (CAFTA-DR), completing the WTO Doha Development Agenda negotiations, and enforcing trade agreements (specifically citing agreements with China) are the U.S.'s top trade priorities. Regarding CAFTA-DR, the President said the agreement provides an historic opportunity to advance the common goals of prosperity and peace in Central America. He said that the WTO Doha Development Agenda framework would reduce and eliminate tariffs in key industry sectors, and unfair agricultural subsidies, and open the global market in services. The President cited a number of issues, including piracy of U.S. intellectual property and barriers to goods and services, where China still must meet existing WTO commitments. The full text of President Bush's remarks is available at www.whitehouse.gov/news/releases

ENGLISH AS A SECOND LANGUAGE IN MEXICO

The importance Mexican citizens place on having a command of the English language is a trend that has resulted from Mexico's role as player in the world economy and international politics, and even more specifically as a result of growing economic and cultural interdependence between Mexico and the United States. The United States is the largest foreign investor in Mexico, its largest trading partner, the leading source of its international tourists, and the preferred destination for Mexican nationals seeking graduate education. For a copy of the 6-page report "English as a Second Language," contact us at little.rock.office.box@mail.doc.gov, phone 501-324-5794, fax 501-324-7380.

INTELLECTUAL PROPERTY PROTECTION: 2004 USTR SPECIAL 301 REPORT RELEASED

The Office of the U.S. Trade Representative released its annual "Special 301" report on the adequacy and effectiveness of intellectual property rights (IPR) protection around the world. For details on this year's review, see http://www.ustr.gov/assets/Document_Library/Reports_Publications/2005/2005_Special_301/asset_upload_file_195_7636.pdf

CANADA'S FRANCHISE INDUSTRY

Canada is among the largest foreign markets for US franchises. Canada's franchising sector is comprised of roughly 1,300 franchises and over 80,000 individual units, ranging from restaurants to non-food retail establishments, from automotive product retailers to purveyors of business services. Annual sales generated by franchises in Canada, which account for only about 5 percent of total businesses in the country, total over US\$60 billion, or roughly half of all service and retail sales.

Franchises have enjoyed exceptional success in Canada. The principal advantage US franchisers have over others is the strong recognition and familiarity of American products and services with consumers. The high volume of travel to the United States, combined with constant exposure to US media, results in very high receptivity even before these products and services come onto the market. Overall, US companies seeking operations (supported by sufficient marketing and promotional campaigns) can expect to be extremely well received by Canadian consumers and franchise investors.

Ontario and Alberta are the only provinces with franchise legislation. These provincial regulations ensure that small business investors are better able to make informed decisions prior to committing to franchise agreements. Disclosure requirements provide prospective franchisees with information about how sellers plan to approach key contractual issues, such as termination, and afford buyers stronger legal remedies regarding court action. Similar legislation is now under consideration in other provinces. US franchisers already doing business here, and those considering establishing themselves, should take note of the proposed legislation and the strong likelihood of its adoption. Franchisers should be prepared to review existing and/or new franchise agreements, internal disclosure policies, and operating procedures to ensure their consistency with the new legislation.

The Alberta provincial government was the first to adopt provincial wide franchise regulation called the Franchises Act. Alberta's Franchises Act sets the rules and specifies the amount of disclosure franchise companies must provide a prospective franchisee or buyer.

Most recently the Province of Ontario adopted similar franchise regulations called the Arthur Wishart Act (Franchise Disclosure Regulation, Ontario Bill 33). In the Province of Ontario and as of January 31, 2001 a franchise company must provide a prospective franchisee or buyer with a franchise disclosure document before signing any agreement or receiving any payments.

To learn more about Ontario's and Alberta's Franchise Acts and Regulations, click on

http://www.e-laws.gov.on.ca/DBLaws/Source/Statutes/English/2000/S00003_e.htm

<http://www.qp.gov.ab.ca/Documents/acts/F23.CFM>

GERMANY TUV CERTIFICATION:

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In addition to the CE Mark used in the European Union, German buyers may require additional performance or quality marks. These marks may not be necessarily legally required, but can greatly enhance the acceptability of the product. Even if the product itself does not require modification, it will require testing and certification before it can be marketed. Important marks are the "gepruefte Sicherheit" (GS - safety tested) mark for mechanical products, and the "Verband Deutscher Elektrotechniker" (VDE - association of German electrical engineers) mark for electrical components. Neither the "GS" nor the "VDE" marks are mandatory for products sold in Germany, but compliance enhances marketability. TUVs are private companies that inspect and test products for compliance with German safety standards. (UL would be a competitor in some areas.) Individual TUVs have also been authorized by the German Government to test products for compliance with EU legislation, and many have established representative offices in the United States.

E-COMMERCE IN SPAIN

- What are the most popular search engines in Spain country? How does a U.S. manufacturer submit sites to those search engines?
- Is it necessary to have the site in the local language for the website to be indexed?
- Is it necessary for the site to have the domain of the country? If so, is it possible for a U.S.-based site to obtain the local domain?

These and other questions are answered in "Spain E-Commerce FAQs." for a copy of this publication, contact us at little.rock.office.box@mail.doc.gov, phone 501-324-5794, fax 501-324-7380.

ADVANCE FEE FRAUDS

The connection between the various types of advance fee frauds is the demand for advance fees or payments before the promised transaction. The fee requested usually comes in the form of:

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| ▪ Legal Fee | ▪ ECOWAS Fee |
| ▪ Drug Clearance Fee | ▪ Value Added Tax (VAT) |
| ▪ Audit Fee | ▪ Terrorist Certificate |
| ▪ Transfer Fee | ▪ Processing Fee |
| ▪ Licensing Fee | ▪ Registration Fee |
| ▪ Communication Fee | ▪ Storage Fee |
| ▪ Release Fee | ▪ Legal Fee |
| ▪ Transaction Fee | ▪ Insurance Fee |

- National Economic Recovery Fund Bribe; Gift To Government Officials, Demurrage, Etc.

If you receive what appears to be an attempt of Advance Fee Fraud, do not give out any personal information or money. See the advisory information at: www.treas.gov/ussf/alert419.shtml

NOMS AND NMXS ISSUED BY THE MEXICAN GOVERNMENT MAY 2005

All goods and products imported into Mexico must comply with any applicable technical regulations and labeling requirements. Applicable technical regulations and labeling requirements are listed by harmonized tariff system (HS or HTS) code. The Mexican Government publishes technical regulations and standards, through the Diario Oficial de la Federación (Official Gazette.) Five different lists are included to assist U.S. exporters, companies, and other parties, interested in:

1. Draft technical regulations (NOMs) that are still in the comment period.
2. Technical regulations (NOMs) that have been published in final form as well as responses to comments on draft technical regulations.
3. Draft standards (NMxs), which comment period is still open.
4. Enacted standards (NMxs).
5. Cancelled technical regulations and standards.

For a copy of the report, contact us at 501-324-5794, fax 7380, little.rock.office.box@mail.doc.gov and ask for the May 2005 NOMS List.

VENEZUELA CERTIFICATION REQUIRED FOR WOODEN PACKAGING MATERIAL

The Ministry of Agriculture and Land through official gazette no.38.177 of May 3, 2005, published a new regulation by which all untreated wooden material used for packaging, transportation, crating or the use of wooden boxes requires a phytosanitary check and the marking of the wooden material according to the International Convention of Phytosanitary Protection. Companies producing, selling or making available such material can submit a request to be registered with the "SASA" office of the ministry, the autonomous institute in charge of phytosanitary controls. Importers and exporters can request the check on a one-time basis without all the paperwork. SASA upon request will submit the wooden articles to either heat treatment (minimum of 56 degrees centigrade for 30 minutes) or the application of methyl bromide. Imported wooden material must be marked with the sign "HT" (heat treatment) or "MB" (methyl bromide) and must be free of live plagues. In the case the contents are agricultural products they must be free of parasites or their eggs. SASA will then allow their import. SASA inspectors are located at any airport or port and at authorized border crossings. For any additional information please contact the Foreign Commercial Service at the U.S. Embassy Caracas by phone (58-212) 907-8081, fax (58-212) 975-8237 or e-mail to Hans.Mueller@mail.doc.gov.

TWELVE OVERSEAS PURCHASING BEST PRACTICES June 2005 Edition "Managing Exports and Imports"® (Used with permission)

"Buying overseas is as different from buying from U.S. suppliers as night from day," Kelly Raia emphasizes.

She includes the following 12 "overseas purchasing best practices" in her advice to import managers:

- 1) Finding suppliers: "Watch the competition —where are your competitors buying, and from who? Utilize consultants, U.S. consulates overseas, trade shows, and the U.S. Foreign Commercial Service Gold Key program. In addition, travel overseas to visit potential manufacturers and suppliers."
- 2) Managing supplier relationships: "Clearly identify deliverables and expectations to minimize language and cultural differences. Put these in writing. Don't commit to a long-term agreement without first testing the product."
- 3) Managing value versus price: "The top reason companies purchase overseas is pricing, but at the end of the day, if quality and service needs are not satisfied, the lowest price doesn't help."
- 4) Building in technology needs: "Take account of communication needs for exchanging trade documents, barcoding requirements, and meeting CBP requirements."
- 5) Ensuring compliance compatibility (CTPAT): "Is the supplier meeting C-TPAT minimum security standards and procedures for employee screening and facilities security?"
- 6) Negotiating legal agreements: "American River International (ARI) helps companies with international agreements all the time. This is a major challenge. Most companies have an in-house counsel used to doing business on a domestic and U.S.-law basis only. Secure international legal expertise, whether from consultants or attorneys in the supplier country."
- 7) Establishing dispute resolution: "Negotiate arbitration clauses into supplier contracts. If you're having a problem with a Brazilian supplier, you don't want the issue dealt with in Brazilian courts but in a neutral third country."
- 8) Controlling proprietary rights: "Define who controls trademarks and copyrights— and build these into contracts."
- 9) Negotiating financial arrangements: "Suppliers always wants to be paid up front, but agree to only 10% to 15% until you have confirmed quality and delivery expectations."
- 10) Incoterms—maintaining control: "From a compliance standpoint, ARI recommends U.S. buyers negotiate Incoterms that allow them maximum control. Utilize your own forwarders, shippers, insurance, and arrange for clearance, and meet CBP reporting obligations yourself."
- 11) Understanding "landed cost": "Depending on the Incoterm, this may include pick-up charges, outbound clearance charges, ocean or airfreight charges, in or out warehouse fees, storage fees, customs duties and taxes, customs clearance fees, distribution charges, delivery charges. All these affect pricing—so build a landed cost model."

12) Utilizing cost-effective logistics: "Request both an Ex Works (cost at supplier's loading dock) and FOB (cost loaded on ship or plane) price from suppliers to determine whether you can do better taking on certain responsibilities. From your forwarders, learn the best routing-cost combinations to meet your needs."

STANDARDS AND PRODUCT CERTIFICATION IN THE UNITED ARAB EMIRATES

The UAE recently established a new standards organization responsible for formulating and enforcing UAE/GCC standards. This organization, the Emirates Authority for Standardization and Metrology (ESMA), is now an independent entity from the Federal Ministry of Finance and Industry. For a copy of the report on this subject, contact us at little.rock.office.box@mail.doc.gov, phone 501-324-5794, fax 501-324-7380.

NEW AGRIBUSINESS E-MARKET EXPRESS NEWSLETTER

In an effort to assist U.S. firms in the agribusiness industry to increase their export sales, the U.S. Department of Commerce/Commercial Service Agribusiness Team has created the on-line "Agribusiness e-Market Express." The Agribusiness e-Market Express bulletin has just been updated with reports received in the last two months from our overseas agribusiness industry specialists working in our Commercial Sections & Foreign Agricultural Service of the American Embassies and Consulates. Agribusiness includes the following industries: agricultural machinery & chemicals, food processing & packaging equipment (including hotel & restaurant equipment and refrigeration equipment), processed foods & food ingredients, and pet foods & supplies. Click on the link below to view and select the reports of interest to you. The requested information will be sent to you via email.
<http://www.buyusa.gov/eme/agribusiness.html>

WESTERN HEMISPHERE TRAVEL INITIATIVE

The Western Hemisphere Travel Initiative will require all travelers to and from the Americas, the Caribbean, and Bermuda to have a passport or other secure accepted form of documentation to enter or re-enter the United States. The Travel Initiative will affect all U.S. citizens traveling within the Western Hemisphere who do not currently possess valid passports. It will also impact certain foreign nationals who currently are not required to present a passport to travel to the U.S., namely most Canadian citizens, citizens of the British Overseas Territory of Bermuda, and Mexican citizens. Details are online at www.travel.state.gov/travel/cbpmc/cbpmc_2223.html or call the National Passport Information Center at 1-877-487-2778).

E-COMMERCE TOOLBOX SITE ADVISES ON USING THE INTERNET TO EXPORT

The new E-commerce Toolbox site provides information on various topics including: assessing your target market and developing an appropriate website;

considering taxes, shipping and other legal issues; business basics that are unique in the online marketplace; and a summary of research on the top Internet- use markets. With examples and links to valuable resources, this site provides the new e-exporter with concrete "tools" to access opportunities online. See <http://www.export.gov/sellingonline/>

Federal Trade Commission's "Made in USA Policy": <http://www.ftc.gov/bcp/online/pubs/buspubs/madeusa.htm>

EXCLUDED PARTY LIST WEBSITE

The Excluded Party List System (EPLS) is now online at www.epls.gov/FAQEPLS.html. EPLS is the electronic version of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs, which identifies those parties excluded throughout the U.S. Government from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and non-financial assistance and benefits. The website list replaces the monthly hardcopy version which is no longer being published.

COMMERCIAL NEWS USA CHINESE EDITION

The September/October 2005 issue of Commercial News USA will be translated into Chinese and distributed in China. Commercial News USA is a premiere export promotion vehicle for promoting U.S. goods and services. The magazine's English language version is distributed directly to 400,000 businesses in more than 145 countries around the world. **Deadline is July 8.** For details, see http://www.thinkglobal.us/pdf/cn_china_flyer.pdf

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